

Determinants of imports of capital goods in Tanzania
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This study analyzes the determinants of imports of capital goods in Tanzania. It used annual times series data from 1970 to 2017. The specific objectives of this study were to examine trend of imports of capital goods in Tanzania and to examine factors that influence imports of capital goods. The study adopted standard import demand model by considering real gross domestic product and relative price as explanatory variables. Several econometric techniques tests are used to analysis data like unit root test and cointegration test. Augmented Dick Fuller test and bounds test approach is used for unit root and cointegration test respectively. The study revealed that there are long run relationship existing between capital goods import, investment and the imports legged once are found to be significant influence the imports of capital goods. However in Long run; Investment, economic reforms, relative price and inflation ware found to be Key determinants of imports of capital goods in Tanzania. Since imports of capital goods need for industries and export sector to develop, an increase for export industries can be accompany by increase of imports of capital goods as these sectors depend on imports materials particular capital goods. The study suggests that, the country has to maintain exchange through managed floating exchange rates, in which, it may be a success in bringing about a decrease in unnecessary levels of import of capital goods to better reflect investment. Also, devaluation of currency may not be a good policy to improve the trade and industries in Tanzania since devaluation leads to high cost of production.